

IDAHO STATE TAX COMMISSION

COMMISSIONERS' OPEN MEETING MINUTES OF MEETING APRIL 1, 2015

In attendance: Commissioners Richard W. Jackson, Tom Katsilometes, Ken A. Roberts, and Elliot S. Werk; Michael Chakarun, Debbie Coulson, Valerie Dilley, Steve Fiscus, Scott Grothe, Robin O'Neill, Mark Poppler, Chuck Pond, Liz Rodosovich, Mike Teller, Bill von Tagen, Randy Tilley, Doreen Warren; Cynthia Adrian, McLean Russell, Don Williams; Mat Cundiff, Erick Shaner, Phil Skinner, David Young; Sandra Bowens, Trudy Charles, Rebecca Ewing, Susan Hartley, Jodie Long, David Noland, Bryan Smith, Shawna Wilke, Zachary Wilson.

Guest: Brody Aston, Steve Olsen.

Public Session.

Chairman Richard W. Jackson convened the open meeting and welcomed all those in attendance.

Presentation of Certificates of Service.

Roxanne Lopez, Human Resources Officer, acknowledged the employees receiving a Certificate of Service, and stated how much their combined total of 70 years of state service were appreciated.

The Certificate of Service recipients were: Susan Hartley, Revenue Process Clerk, (Revenue Operations), and Shawna Wilke, Tax Compliance Technician (Collection Division), and Zachary Wilson, Tax Audit Manager (Audit Division) for 5 years of state service; Rebecca Ewing, Tax Collection Unit Supervisor (Collection Division) for 10 years of state service; Jodie Long, Technical Records Specialist 2 (Revenue Operations) for 20 years of state service and a thank-you letter from the Governor; and Sandra Bowens, IT Systems Analyst, (Property Tax) for 25 years of state service and a thank-you letter from the Governor.

The Commissioners expressed their congratulations to all the recipients and said how the recipients' combined total of 70 years of dedicated state service was commendable and how the everyday work they do is valued and appreciated.

Business Requiring Vote of the Commission.

Minutes: Open Meeting – March 4, 2015.

Commissioner Elliot S. Werk moved that the minutes of the open meeting held on March 4, 2015, be approved. Commissioner Tom Katsilometes seconded. There were no comments or amendments. All voted in the affirmative and the minutes of the open meeting on March 4, 2015, were approved.

There was no more business requiring a vote of the Commission.

Administrative Reports.

Management Services, Mark Poppler.

Mark Poppler, Financial Officer, presented the administrative report for Management Services (MS). Mark reported that the refund fund is very strong this year, with approximately

\$62,000,000 available at the end of March versus only \$30,000,000 last year. It will reach its low point in the next week or so prior to the big influx of revenue on the April 15 tax due date, and again in early May, but for the first time in many years we have no need to approach the Board of Examiners with a request to borrow. Revenues into the fund are up by about \$22,000,000, while fiscal year-to-date refunds are down about \$10,000,000. This \$10,000,000 consists of an increase in individual income tax refunds of \$6,000,000 offset by a big reduction in corporate refunds of \$16,000,000, or nearly 2/3rds.

The Tax Commission budget bill for fiscal year 2016 is waiting for the Governor's signature. It is SB1165 and passed the Senate unanimously on March 20, and passed the House yesterday by a 60 to 8 margin.

Mike Teller has mentioned the network access situation once or twice at our ELT meetings. The situation is that our agency access to network data lines was intermingled with the contract with Century Link and therefore possibly in jeopardy along with the Idaho Education Network portion. While true, the Department of Administration made sure that services continued and we have not had any interruptions. Technically the contract was indeed voided by the courts. The Department of Administration continued to bill the Tax Commission and about 20 other agencies that use the centralized services. Now they have been ordered by the Division of Financial Management (DFM) to credit each agency back for the voided months of November through February. Tax Commission therefore will receive an unexpected credit of about \$24,000.

Chairman Jackson and Commissioner Katsilometes discussed with Mark how there is a gradual incline of the economy with more revenue coming in than refunds.

There were no questions.

Audit Division, Randy Tilley.

Randy Tilley, Audit Division Administrator, reported that the Audit Division, along with Revenue Operations, has stopped 349 fraudulent returns so far this year, stopping \$656,082 in refunds from going out. Last year Audit stopped 243 fraudulent returns, preventing \$608,665 in refunds from going out. The fraud has increased due to identity theft. This year 303 of the 349 fraudulent returns were due to identity theft, and last year only 11 of 243 fraudulent returns were identity theft.

The Audit Division is very busy reviewing 390 suspicious returns, of which 222 were sent from RO and other states. Two hundred returns showed up this week alone. Commissioner Werk asked how the fraud manager is related; Randy noted how the fraud manager scores returns, and that high scores are sent to the Tax Discovery Bureau (TDB) and all others are reviewed in RO; if the return is suspicious, it is referred to TDB. Discussion followed.

Chairman Jackson commended Randy Tilley and Doreen Warren for all their work on fraud and identity theft.

There were no more questions.

Revenue Operations Division, Doreen Warren.

Doreen Warren, Revenue Operations Division Administrator, reported that the Tax Drive is still progressing. Revenue Operations (RO) is opening mail dated March 27, 2015, and preparing for the big hit with the April 15 due date.

There are 276,151 refunds paid to-date amounting to \$157,781,693.14 paid out. There have been 459,039 individual income tax returns received, with 423,341 returns filed electronically, and 35,698 were paper. There have been 24,909 business income tax returns received, with 23,294 returns filed electronically and 1,615 paper returns. Altogether, there have been 483,948 income tax returns received, with 446,635 returns filed electronically and 37,313 paper returns.

In addition, RO has loaded 1,154,287 W-2s into the Data Warehouse for filing period December 31, 2014. There were 68.74 percent of the W-2s filed electronically, and 31.26 percent of the W-2s were paper.

The Spring Tour to visit the field offices and participate in the Idaho Society of Certified Public Accountants (ISCPA) meetings are coming up the weeks of May 11, 2015, and May 25, 2015. The commissioners and three of the managers will be away from the office during the tours.

RO is actively participating in the Federation of Tax Administrators (FTA) Fraud Working group to establish a standard process for fraud detection and taxpayer verification. The IRS, software developers and states are involved in this collaborative effort. Doreen is the state co-chair for the FTA fraud working group. Discussion followed.

There were no questions.

There were no more administrative reports.

Reports on Rules Committees.

[Income Tax, Administration & Enforcement, Kilowatt, Mine License Rules – Committee Chair, Cynthia Adrian.](#)

Cynthia Adrian, Income Tax, Administration & Enforcement, Kilowatt, and Mine License Rules Committee Chair, noted that there was nothing new to report. The rules committee will meet next week to see what legislation passed and how it will affect the Tax Commission's rules.

There were no questions.

[Motor and Special Fuels Tax Rules – Committee Chair, Don Williams.](#)

Don Williams, the Motor and Special Fuels Tax Rules Committee Chair, reported that the Motor and Special Fuels Tax Rules Committee is monitoring legislation and HB 131 passed.

There were no questions.

[Sales & Use Tax Administrative Rules – Committee Chair, McLean Russell.](#)

McLean Russell, Sales & Use Tax Administrative Rules Committee Chair, was absent, and Michael Chakarun, Tax Policy Manager, reported that the Sales & Use Tax Administrative Rules Committee is checking on the value of the legislation passed on sales tax, and on what will be done to those changes.

There were no more questions.

[Property Tax Rules – Committee Chair, Alan Dornfest.](#)

Alan Dornfest, Property Tax Rules Committee Chair, was absent and there was no report on the Property Tax Rules.

Other Business.

Bill von Tagen, Deputy Attorney General, presented This Day in History.

This Day in History, April 1:

1578 – William Harvey of England discovers blood circulation

1700 – English pranksters begin popularizing the annual tradition of April Fools' Day by playing practical jokes on each other. Although the day, also called All Fools' Day,

has been celebrated for several centuries by different cultures, its exact origins remain a mystery. Some historians speculate that April Fools' Day dates back to 1582, when France switched from the Julian calendar to the Gregorian calendar, as called for by the Council of Trent in 1563. People who were slow to get the news or failed to recognize that the start of the new year had moved to January 1, continued to celebrate it during the last week of March through April 1 and became the butt of jokes and hoaxes. These included having paper fish placed on their backs and being referred to as "poisson d'avril" (April fish), said to symbolize a young, easily caught fish and a gullible person.

1789 – House of Representatives 1st full meeting, New York NY, F Muhlenberg first speaker

1889 – First dishwashing machine marketed (Chicago)

1934 – Bonnie & Clyde kill two police officers

1970 – John Lennon & Yoko Ono release hoax they are having dual sex change operations

1970 – President Richard Nixon signs bill limiting cigarette advertisements on 1/1/71

1973 – John & Yoko form a new country with no laws or boundaries, called Nutopia, its national anthem is silence

1986 – World oil prices dip below \$10 a barrel

1992 – Battleship USS Missouri (on which, Japan surrendered) decommissioned

#1 Song:

1971 – Temptations - Just My Imagination (Running Away With Me)

This Month in History, April:

753 B.C. – April 21, Romulus and his twin brother, Remus, found Rome on the site where they were suckled by a she-wolf as orphaned infants. Actually, the Romulus and Remus myth originated sometime in the fourth century B.C., and the exact date of Rome's founding was set by the Roman scholar Marcus Terentius Varro in the first century B.C.

1776 – April 7, U.S. Navy captures first British warship

1865 – April 14, John Wilkes Booth, an actor and Confederate sympathizer, fatally shoots President Abraham Lincoln at a play at Ford's Theater in Washington, D.C. The attack came only five days after Confederate General Robert E. Lee surrendered his massive army at Appomattox Court House, Virginia, effectively ending the American Civil War.

There was no other business.

Public Comments.

There were no more public comments.

Recess.

Chairman Jackson recessed the Public Session for five minutes to reconvene for the commissioners to meet with the Commission's legal counsel.

Reconvene Meeting.

Chairman Jackson reconvened the open meeting.

Executive Session.

Commissioner Katsilometes moved to go into the Executive Session with its legal counsel pursuant to Idaho Code § 67-2345(1)(f) to discuss the current status of litigation to which the Commission is a party, in addition to discuss matters which are exempt pursuant to Idaho Code § 67-2345(1)(b). Commissioner Werk seconded. A roll call vote was taken by Valerie Dilley, Executive Administrative Assistant. Commissioners Jackson, Katsilometes, Roberts, and Werk all voted in favor and the motion passed.

The Commission met in executive session with its legal counsel pursuant to Idaho Code § 67-2345(1)(f) to discuss the current status of litigation to which the Commission is a party, in addition to discuss matters which are exempt pursuant to Idaho Code § 67-2345(1)(b). No matters requiring a vote of the Commission resulted from the executive session.

Public Session.

Chairman Jackson declared the Executive Session ended and returned to the public session.

There being no further business, the meeting adjourned.

Valerie J. Dilley
Secretary

Richard W. Jackson
Chairman